

PERRY COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND REPORT OF AUDIT

RESTATED

For the Year Ended June 30, 2012

PERRY COUNTY SCHOOL DISTRICT

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For the Year Ended June 30, 2012

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PERRY COUNTY SCHOOL DISTRICT

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Chris Gooch

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of Perry County Board of Education
Hazard, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Perry County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Perry County School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note U, subsequent to issuance of Perry County School District's financial statements and report dated November 2, 2012, we became aware construction fund financial statements excluded unexpended bond proceeds received and held in short-term commercial paper and the related interest earnings through June 30, 2012. However, the bond issue was reported in the District's government-wide financial statements and disclosed in the notes to financial statements when originally reported.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of Perry County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perry County School District's financial statements as a whole. The combining and individual nonmajor fund financial statements and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Chris Gooch
Certified Public Accountant

PERRY COUNTY SCHOOL DISTRICT
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESTATED

For the Year Ended June 30, 2012

As management of the Perry County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

- The beginning cash balance, including temporary investment accounts and activity funds, for the District was \$3,004,559. The ending cash balance, including temporary investment accounts and activity funds, for the District was \$14,898,340. Of this amount, \$2,165,894 was in the Building Fund and \$9,573,019 in the construction fund.
- Fixed assets additions for the year ended reflect Phase IV – Buckhorn School Project, \$1,682,647.51; and, the acquisition of property on Highway 80, \$4,350,000, for Elementary School and Athletic Complex facilities.
- Interest revenue totaled \$180,519 for the year ended and for the prior year the total interest revenue was \$103,465.
- The District's total long-term debt principal reductions were \$5,003,863, including defeasing \$3,284,471 of debt principal for the Series June 1, 2004 issue.
- Three new debt series were issued during the year - \$6,745,000 in revenue bonds to assist in completion of the Highway 80 Elementary school; \$13,300,000 in qualified school construction bonds to assist in completion of the above-referenced; and, \$3,360,000 in refunding revenue bonds.
- Total general fund revenue was \$32,000,735 consisting primarily of state program (SEEK), property, utilities, and motor vehicle taxes. Excluding general fund transfers, there was \$31,397,380 in general fund expenditures. The general fund revenue and expenditures include \$6,281,047 in state on-behalf payments.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

PERRY COUNTY SCHOOL DISTRICT
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

RESTATED

For the Year Ended June 30, 2012

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds include activity funds. Proprietary funds include the school food service, daycare and preschool funds. All other activities are reported under governmental funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

PERRY COUNTY SCHOOL DISTRICT
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

RESTATED

For the Year Ended June 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2012, assets exceeded liabilities by \$22,629,880.

The greatest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and ongoing construction projects, where applicable), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net assets for the year ended June 30, 2012

Below is a comparison of net assets:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Current Assets	16,175,334	6,456,213
Noncurrent Assets	<u>42,188,000</u>	<u>31,198,809</u>
<u>Total Assets</u>	<u>58,363,334</u>	<u>37,655,022</u>
Current Liabilities	5,079,754	4,404,568
Noncurrent Liabilities	<u>30,653,700</u>	<u>13,183,637</u>
<u>Total Liabilities</u>	<u>35,733,454</u>	<u>17,588,205</u>
- Net Assets -		
Investment in Capital Assets (net of debt)	8,046,139	15,454,823
Restricted	10,367,937	2,467,836
Unreserved Fund Balance	<u>4,215,804</u>	<u>2,144,158</u>
<u>Total Net Assets</u>	<u>22,629,880</u>	<u>20,066,817</u>
<u>Total Liabilities and Net Assets</u>	<u>58,363,334</u>	<u>37,655,022</u>

PERRY COUNTY SCHOOL DISTRICT
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

RESTATED

For the Year Ended June 30, 2012

The following are significant current year transactions that impact the Statement of Net Assets:

- Net increases as a result of debt service financing and construction completed/committed related to the completion of the Buckhorn School Phase IV project and acquisition of property and ongoing Highway 80 Elementary School project and athletic complex.
- The net decrease in restricted assets consist primarily of funding used to finance ongoing construction commitments.

The following table presents a comparison of statement of activities for the fiscal years ended June 30, 2012 and 2011:

	For Year Ended June 30,	
	<u>2012</u>	<u>2011</u>
Revenues:		
Local revenue sources	10,683,770	9,630,232
State revenue sources	28,206,756	27,169,893
Federal revenue	<u>8,156,381</u>	<u>7,742,508</u>
<u>Total revenues</u>	<u>47,046,907</u>	<u>44,542,633</u>
Expenses:		
Instruction	25,820,824	26,546,207
Student support services	1,713,974	1,882,974
Instructional support	1,755,307	1,268,421
District administration	746,186	655,739
School administration	2,122,712	2,048,124
Business support	970,490	907,471
Plant operation	3,938,596	3,894,732
Student transportation	3,047,994	2,930,402
Food service operations	2,811,231	2,939,922
Community services	568,064	601,648
Day care operations	53,784	83,038
Interest on long-term debt	<u>934,682</u>	<u>609,981</u>
<u>Total expenses</u>	<u>44,483,844</u>	<u>44,368,659</u>
<u>Revenues in excess of expenses</u>	<u>2,563,063</u>	<u>173,974</u>

PERRY COUNTY SCHOOL DISTRICT
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

RESTATED

For the Year Ended June 30, 2012

- Current year expense reflects depreciation in the amount of \$1,764,610 and state on-behalf payments in the amount of \$6,446,684. Prior year expense reflects depreciation in the amount of \$1,786,821 and state on-behalf payments in the amount of \$6,326,749.
- Local property tax comparisons at 2011 and 2012 are as follows: General property tax – \$2,883,314 and \$3,086,214; unmined minerals tax - \$1,057,109 and \$1,263,867; and, motor vehicle tax - \$831,184 and \$823,585.
- SEEK program fiscal year end General Fund revenue was \$15,646,442 for year ending June 30, 2011 and for 2012 was \$17,307,056.
- Food service operations revenues and expenditures include \$47,112 transfer from the special revenue fund.

BUDGET COMPARISONS

The following table presents a comparison of budget to actual for the general fund for the fiscal year ended June 30, 2012:

	Budget <u>2012</u>	Actual <u>2012</u>	Variance <u>I (D)</u>
Revenues:			
Local revenue sources	7,209,642	8,212,997	1,003,355
State revenue sources	17,398,633	23,688,546	6,289,913
Federal revenue sources	<u>25,000</u>	<u>99,192</u>	<u>74,192</u>
<u>Total revenues</u>	<u>24,633,275</u>	<u>32,000,735</u>	<u>7,367,460</u>
Expenses:			
Instruction	15,179,415	18,906,541	(3,727,126)
Student support services	1,337,253	1,672,681	(335,428)
Instructional support	533,837	703,015	(169,178)
District administration	643,819	742,593	(98,774)
School administration	1,648,645	2,121,964	(473,319)
Business support	751,165	953,694	(202,529)
Plant operation and management	3,461,312	3,721,167	(259,855)
Student transportation	2,108,444	2,552,750	(444,306)
Food service operations	600	-	600
Community services	4,871	23,375	(18,504)
Contingencies	<u>946,909</u>	<u>-</u>	<u>946,909</u>
<u>Total expenses</u>	<u>26,616,270</u>	<u>31,397,780</u>	<u>(4,781,510)</u>
<u>Excess (deficiency) of revenue over expense</u>	<u>(1,982,995)</u>	<u>602,955</u>	<u>2,585,950</u>

PERRY COUNTY SCHOOL DISTRICT
HAZARD, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

RESTATED

For the Year Ended June 30, 2012

- Actual revenues and expenditures reflect state on behalf payments in the amount of \$6,281,047.
- Actual local revenue reflects unbudgeted unmined minerals tax in the amount of \$1,263,867.
- Actual local revenue reflects unbudgeted omitted property tax in the amount of \$79,254.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$946,909 in contingency (3.54%) for the fiscal year ended June 30, 2012.

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local level and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent years budgets.

Questions regarding this report should be directed to the Superintendent or the Finance Officer at (606) 439-5813.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

RESTATED

At June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
- Current Assets -			
Cash and cash equivalents	14,620,120	215,418	14,835,538
Accounts receivable:			
Taxes - current	92,829	-	92,829
Taxes - delinquent	13,513	-	13,513
Other	51,454	-	51,454
Intergovernmental - State	121,293	-	121,293
Intergovernmental - Indirect Federal	918,821	87,717	1,006,538
Inventories	-	54,169	54,169
<u>Total current assets</u>	<u>15,818,030</u>	<u>357,304</u>	<u>16,175,334</u>
- Noncurrent Assets -			
Unamortized discounts and issue costs - net	338,259	-	338,259
Capital assets	71,346,581	1,029,762	72,376,343
Less: accumulated depreciation & amortization	(29,645,834)	(880,768)	(30,526,602)
<u>Total noncurrent assets</u>	<u>42,039,006</u>	<u>148,994</u>	<u>42,188,000</u>
<u>Total assets</u>	<u>57,857,036</u>	<u>506,298</u>	<u>58,363,334</u>
Liabilities:			
- Current liabilities -			
Cash deficit	410,496	-	410,496
Accounts payable	733,251	17,427	750,678
Deferred revenues	430,419	-	430,419
Current portion of bond/lease obligations	2,914,937	-	2,914,937
Interest payable	573,224	-	573,224
<u>Total current liabilities</u>	<u>5,062,327</u>	<u>17,427</u>	<u>5,079,754</u>
- Noncurrent liabilities -			
Noncurrent portion of bond/lease obligations	30,653,700	-	30,653,700
<u>Total noncurrent liabilities</u>	<u>30,653,700</u>	<u>-</u>	<u>30,653,700</u>
<u>Total liabilities</u>	<u>35,716,027</u>	<u>17,427</u>	<u>35,733,454</u>
Net assets:			
Invested in capital assets, net of related debt	7,897,145	148,994	8,046,139
Restricted for:			
Sick Leave	127,089	-	127,089
Other	9,900,971	339,877	10,240,848
Unrestricted	4,215,804	-	4,215,804
<u>Total net assets</u>	<u>22,141,009</u>	<u>488,871</u>	<u>22,629,880</u>
<u>Total liabilities and net assets</u>	<u>57,857,036</u>	<u>506,298</u>	<u>58,363,334</u>

See notes to financial statements.

10.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

RESTATED

For the Year Ended June 30, 2012

		Program Revenues		
		Charges for <u>Services</u>	Operating Grants & <u>Contributions</u>	Capital Grants & <u>Contributions</u>
	<u>Expenses</u>			
FUNCTIONS/PROGRAMS:				
- Governmental Activities -				
Instruction	25,820,824	-	(10,413,018)	-
Support services:				
Student	1,713,974	-	(461,083)	-
Instructional staff	1,755,307	-	(1,108,269)	-
District administration	746,186	-	(74,480)	-
School administration	2,122,712	-	(474,720)	-
Business support	970,490	-	(171,156)	-
Plant operation & management	3,938,596	-	(417,928)	-
Student transportation	3,047,994	-	(475,041)	-
Food service operations	142,393	-	(95,281)	-
Community services operations	568,064	-	(549,499)	-
Interest & amortization on long-term debt	934,682	-	-	-
<u>Total governmental activities</u>	<u>41,761,222</u>	<u>-</u>	<u>(14,240,475)</u>	<u>-</u>
- Business-type Activities -				
Food service	2,668,838	(775,946)	(2,109,309)	-
Day care	53,784	(43,270)	-	-
<u>Total business-type activities</u>	<u>2,722,622</u>	<u>(819,216)</u>	<u>(2,109,309)</u>	<u>-</u>
<u>Total primary government</u>	<u>44,483,844</u>	<u>(819,216)</u>	<u>(16,349,784)</u>	<u>-</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES (continued)

RESTATED

For the Year Ended June 30, 2012

	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Governmental</u>	<u>Business-</u>	
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	<u>Total</u>
	(15,407,806)	-	(15,407,806)
	(1,252,891)	-	(1,252,891)
	(647,038)	-	(647,038)
	(671,706)	-	(671,706)
	(1,647,992)	-	(1,647,992)
	(799,334)	-	(799,334)
	(3,520,668)	-	(3,520,668)
	(2,572,953)	-	(2,572,953)
	(47,112)	-	(47,112)
	(18,565)	-	(18,565)
	<u>(934,682)</u>	<u>-</u>	<u>(934,682)</u>
	<u>(27,520,747)</u>	<u>-</u>	<u>(27,520,747)</u>
	-	216,417	216,417
	<u>-</u>	<u>(10,514)</u>	<u>(10,514)</u>
	-	205,903	205,903
	<u>(27,520,747)</u>	<u>205,903</u>	<u>(27,314,844)</u>
General revenues:			
Taxes	9,550,265	-	9,550,265
Investment earnings	178,953	3,406	182,359
State and formula grants	20,013,353	-	20,013,353
Miscellaneous	<u>131,930</u>	<u>-</u>	<u>131,930</u>
<u>Total general revenues</u>	<u>29,874,501</u>	<u>3,406</u>	<u>29,877,907</u>
Change in net assets	2,353,754	209,309	2,563,063
Net assets - beginning of year	<u>19,787,255</u>	<u>279,562</u>	<u>20,066,817</u>
Net assets - ending of year	<u><u>22,141,009</u></u>	<u><u>488,871</u></u>	<u><u>22,629,880</u></u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS

RESTATED

At June 30, 2012

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u>	<u>Construction</u> <u>Fund</u>	<u>Other</u> <u>Govt</u> <u>Funds</u>	<u>Total</u> <u>Govt</u> <u>Funds</u>
Assets and resources:					
Cash and cash equivalents	2,720,142	-	9,573,019	2,326,959	14,620,120
Accounts receivable:					
Taxes - current	92,829	-	-	-	92,829
Taxes - delinquent	13,513	-	-	-	13,513
Other	50,912	542	-	-	51,454
Intergovernmental - State	121,293	-	-	-	121,293
Intergovernmental - Indirect Federal	<u>13,933</u>	<u>904,888</u>	<u>-</u>	<u>-</u>	<u>918,821</u>
 <u>Total assets and resources</u>	 <u>3,012,622</u>	 <u>905,430</u>	 <u>9,573,019</u>	 <u>2,326,959</u>	 <u>15,818,030</u>
Liabilities and fund balances:					
Cash deficit	-	410,496	-	-	410,496
Accounts payable	188,733	64,515	480,003	-	733,251
Deferred revenue	<u>-</u>	<u>430,419</u>	<u>-</u>	<u>-</u>	<u>430,419</u>
 <u>Total liabilities</u>	 <u>188,733</u>	 <u>905,430</u>	 <u>480,003</u>	 <u>-</u>	 <u>1,574,166</u>
Fund balances					
Restricted for SFCC Escrow	-	-	-	807,955	807,955
Restricted for future construction	-	-	9,093,016	-	9,093,016
Restricted for sick leave	127,089	-	-	-	127,089
Assigned - purchase obligations	11,599	-	-	-	11,599
Unassigned fund balance	<u>2,685,201</u>	<u>-</u>	<u>-</u>	<u>1,519,004</u>	<u>4,204,205</u>
 <u>Total fund balances</u>	 <u>2,823,889</u>	 <u>-</u>	 <u>9,093,016</u>	 <u>2,326,959</u>	 <u>14,243,864</u>
 <u>Total liabilities and fund balances</u>	 <u>3,012,622</u>	 <u>905,430</u>	 <u>9,573,019</u>	 <u>2,326,959</u>	 <u>15,818,030</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETSRESTATEDAt June 30, 2012

Total fund balance per fund financial statements	14,243,864
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net assets.

42,039,006

Certain liabilities (such as bonds payable and accrued interest) are not reported in this fund financial statement because they are not due and payable, but are presented in the statement of net assets.

<u>(34,141,861)</u>

Net assets for governmental activities
--

<u>22,141,009</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

RESTATED

For the Year Ended June 30, 2012

	<u>General</u>	<u>Special</u>	<u>Construction</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Fund</u>	<u>Gov't Funds</u>	<u>Gov't Funds</u>
Revenues:					
From local sources:					
Taxes	8,000,177	-	-	1,550,088	9,550,265
Earnings on investments	177,113	-	-	-	177,113
Other local revenue	35,707	86,946	1,840	-	124,493
Intergovernmental - state	23,688,546	1,894,770	-	2,623,440	28,206,756
Intergovernmental - direct federal	-	151,391	-	-	151,391
Intergovernmental - indirect federal	99,192	5,796,489	-	-	5,895,681
<u>Total revenues</u>	<u>32,000,735</u>	<u>7,929,596</u>	<u>1,840</u>	<u>4,173,528</u>	<u>44,105,699</u>
Expenditures:					
Instructional	18,906,541	5,908,800	-	-	24,815,341
Student support services	1,672,681	40,996	-	-	1,713,677
Staff support services	703,015	1,033,300	-	-	1,736,315
District administration	742,593	2,816	-	-	745,409
School administration	2,121,964	-	-	-	2,121,964
Business support	953,694	16,796	-	-	970,490
Plant operations and maintenance	3,721,167	141,732	-	-	3,862,899
Student transportation	2,552,750	175,018	-	-	2,727,768
Food service operations	-	95,281	-	-	95,281
Community service activities	23,375	544,689	-	-	568,064
Facilities acquisition and construction	-	-	11,908,227	-	11,908,227
Debt service:					
Principal	-	-	-	5,003,863	5,003,863
Interest	-	-	-	930,130	930,130
<u>Total expenditures</u>	<u>31,397,780</u>	<u>7,959,428</u>	<u>11,908,227</u>	<u>5,933,993</u>	<u>57,199,428</u>
Excess (deficit) of revenues over expenditures	<u>602,955</u>	<u>(29,832)</u>	<u>(11,906,387)</u>	<u>(1,760,465)</u>	<u>(13,093,729)</u>
Other financing sources (uses):					
Bond proceeds	-	-	19,782,427	3,080,000	22,862,427
Gain/losses on assets	9,277	-	-	-	9,277
Operating transfers in	9,290	86,234	-	1,732,776	1,828,300
Operating transfers out	(285,703)	(56,402)	-	(1,533,307)	(1,875,412)
<u>Total other financing sources (uses)</u>	<u>(267,136)</u>	<u>29,832</u>	<u>19,782,427</u>	<u>3,279,469</u>	<u>22,824,592</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	335,819	-	7,876,040	1,519,004	9,730,863
Fund balance - July 1, 2011	<u>2,488,070</u>	<u>-</u>	<u>1,216,976</u>	<u>807,955</u>	<u>4,513,001</u>
Fund balance - June 30, 2012	<u>2,823,889</u>	<u>-</u>	<u>9,093,016</u>	<u>2,326,959</u>	<u>14,243,864</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESRESTATEDFor the Year Ended June 30, 2012

Net change in total fund balances per fund financial statements	9,730,863
Amounts reported for governmental activities in the statement of activities differences:	
Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but are presented as assets in the statement of activities and depreciated over their estimated useful economic lives. The difference is the amount by which depreciation exceeds capital outlay adjustments for the year.	10,486,007
Bond proceeds are recognized as financing resources in the fund financial statements but as a liability in the government-wide financial statements.	(22,862,427)
Bond principal payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets.	<u>4,999,311</u>
Change in net assets of governmental activities	<u><u>2,353,754</u></u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

At June 30, 2012

	Food Service <u>Fund</u>	Day Care <u>Fund</u>	<u>Total</u>
Assets:			
- Current Assets -			
Cash and cash equivalents	214,412	1,006	215,418
Accounts receivable	87,717	-	87,717
Inventories	<u>54,169</u>	<u>-</u>	<u>54,169</u>
<u>Total current assets</u>	<u>356,298</u>	<u>1,006</u>	<u>357,304</u>
- Noncurrent Assets -			
Capital assets	1,029,762	-	1,029,762
Less: accumulated depreciation	<u>(880,768)</u>	<u>-</u>	<u>(880,768)</u>
<u>Total noncurrent assets</u>	<u>148,994</u>	<u>-</u>	<u>148,994</u>
<u>Total assets</u>	<u>505,292</u>	<u>1,006</u>	<u>506,298</u>
Liabilities:			
- Current Liabilities -			
Accounts payable	<u>16,971</u>	<u>456</u>	<u>17,427</u>
<u>Total current liabilities</u>	<u>16,971</u>	<u>456</u>	<u>17,427</u>
Net assets:			
Investments in capital assets	148,994	-	148,994
Restricted for inventories	54,169	-	54,169
Restricted - other	<u>285,158</u>	<u>550</u>	<u>285,708</u>
<u>Total net assets</u>	<u>488,321</u>	<u>550</u>	<u>488,871</u>
<u>Total liabilities and net assets</u>	<u>505,292</u>	<u>1,006</u>	<u>506,298</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS – PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Food service <u>Fund</u>	Day Care <u>Fund</u>	<u>Total</u>
Operating revenues:			
Lunchroom sales	775,946	-	775,946
Federal grants	1,743,320	-	1,743,320
State grants/on-behalf payments	190,002	-	190,002
Donated commodities	128,875	-	128,875
Tuition from individuals	-	43,270	43,270
	<u> </u>	<u> </u>	<u> </u>
<u>Total operating revenues</u>	<u>2,838,143</u>	<u>43,270</u>	<u>2,881,413</u>
 Operating expense:			
Salaries and wages	1,116,594	42,731	1,159,325
Contract services	62,528	3,932	66,460
Materials and supplies	1,457,561	6,986	1,464,547
Depreciation	31,575	-	31,575
Other operating expenses	580	135	715
	<u> </u>	<u> </u>	<u> </u>
<u>Total operating expenses</u>	<u>2,668,838</u>	<u>53,784</u>	<u>2,722,622</u>
 <u>Operating income (loss)</u>	<u>169,305</u>	<u>(10,514)</u>	<u>158,791</u>
 Nonoperating Revenue/(Expense):			
Interest income	3,406	-	3,406
Transfers in	47,112	-	47,112
	<u> </u>	<u> </u>	<u> </u>
<u>Total nonoperating revenue/(expense)</u>	<u>50,518</u>	<u>-</u>	<u>50,518</u>
 <u>Net income (loss)</u>	<u>219,823</u>	<u>(10,514)</u>	<u>209,309</u>
 Net Assets, July 1, 2011	<u>268,498</u>	<u>11,064</u>	<u>279,562</u>
 Net Assets, June 30, 2012	<u>488,321</u>	<u>550</u>	<u>488,871</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Food service Fund	Day Care Fund	Total
Cash flows from operating activities:			
Cash received from:			
Lunchroom sales	775,946	-	775,946
Federal and State grants	1,680,405	-	1,680,405
Tuition from individuals	-	43,270	43,270
Cash paid to/for:			
Employees	(950,957)	(42,731)	(993,688)
Supplies/Contractual	(1,381,941)	(10,606)	(1,392,547)
Other activities	(580)	(135)	(715)
<u>Net cash provided (used) by operating activities</u>	<u>122,873</u>	<u>(10,202)</u>	<u>112,671</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	-	-	-
<u>Net cash provided (used) by capital and related financing activities</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest income	3,406	-	3,406
Cash flows from financing activities:			
Transfers from other funds	47,112	-	47,112
Net increase (decrease) in cash	173,391	(10,202)	163,189
Cash, beginning of year	41,021	11,208	52,229
Cash, end of year	214,412	1,006	215,418
Reconciliation of operating income (loss) to net cash provided (used) by operations:			
Operating income (loss)	169,305	(10,514)	158,791
Adjustments to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	31,575	-	31,575
Changes in current assets/liabilities			
Accounts receivable	(87,280)	-	(87,280)
Inventory	(7,113)	-	(7,113)
Accounts payable	16,386	312	16,698
Net cash provided (used) by operating activities	<u>122,873</u>	<u>(10,202)</u>	<u>112,671</u>

The schedule reflects \$65,637 of non-cash on-behalf payments from the State related to personnel costs and \$128,875 related to donated commodities.

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS – ACTIVITY FUNDSAt June 30, 2012**Assets:**

Cash and cash equivalents	458,561
Accounts receivable	<u>3,488</u>
<u>Total assets</u>	<u>462,049</u>

Liabilities:

Accounts payable	3,405
Due to individual student activity account funds	<u>458,644</u>
<u>Total liabilities</u>	<u>462,049</u>

Net assets:

Permanently restricted reserve for scholarships	<u>-</u>
<u>Total liabilities and net assets</u>	<u>462,049</u>

See notes to financial statements.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTSJune 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Perry County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Perry County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence, operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Perry County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment or the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Perry County School District Finance Corporation – On July 12, 1988, the Perry County, Kentucky, Board of Education resolved to authorize the establishment of the Perry County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Perry County Board of Education also comprise the Corporations’ Board of Directors.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. The proprietary funds are accounted for using GASB standards as well as standards issued by the FASB through November 1989 and that do not conflict with GASB Standards. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Grant Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)II. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

The Childcare fund accounts for revenues and expenditures related to daycare services and preschool activities.

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Accounting Procedures for Kentucky School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements,

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Accounting (continued)

in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and change in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.482 per \$100 valuation for real property, \$.482 per \$100 valuation for business personal property and \$.497 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2012.

The District has restricted \$127,089 of its fund balance for future sick leave payments.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)RESTATEDJune 30, 2012NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District's cash and cash equivalents was \$16,307,504. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The funds of the District are deposited and invested under the terms of a contract, contents of which are set out in the bond of depositors for public school funds. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the District may not recover collateral securities. The District requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). All of the District's deposits were collateralized with securities held in the financial institution's name except for investments in short-term commercial paper held at US Bank. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the organization's cash is held at a local financial institution. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)RESTATEDJune 30, 2012NOTE C – CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents at June 30, 2012 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Peoples Bank & Trust		
General operations	6,477,208	5,074,244
A.B. Combs Elementary	8,001	8,001
Big Creek Elementary	26,858	26,034
Buckhorn School	51,741	50,382
Chavies Elementary	59,514	59,332
Dennis Wooton Elementary	79,402	79,103
Leatherwood Elementary	22,838	22,457
Perry County Central High School	102,219	99,381
Robinson Elementary	24,682	24,682
R.W. Combs Elementary	47,279	46,916
Viper Elementary	33,499	33,499
Willard Elementary	8,818	8,774
Misc Bond Accounts	14,647	14,647
	<u>6,956,706</u>	<u>5,547,452</u>
<u>Total</u>		
US Bank		
Construction Fund	<u>9,350,798</u>	<u>9,350,798</u>

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

The original amount of each issue, the issue date and interest rates are summarized as follows:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
Refunding December 1998	8,285,000	4.15% - 4.15%
September 2001	1,865,000	3.50% - 4.75%
Revenue June 2004	3,865,000	2.70% - 4.90%
KISTA January 2005	779,290	3.00% - 3.625%
Revenue Bonds July 2006	3,015,000	3.70% - 4.375%
KISTA 2009	890,356	2.00% - 3.80%
Refunding February 2010	1,870,000	1.00% - 3.00%
Revenue January 2011	1,935,000	1.50% - 4.75%
Revenue 2nd Series December 2011	6,745,000	2.00% - 3.25%
QSCB Construction Bonds December 2011	13,300,000	5.00% - 5.00%
Refunding Revenue June 2012	3,360,000	1.10% - 2.25%

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Perry County Fiscal Court and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt and are considered defeased by the District.

In 1988, the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The Perry County School District Finance Corporation issued school building revenue bonds dated December 1, 2011 to assist in financing construction of the new county elementary school. The par amount of the bonds were \$6,745,000, issued at a discount of \$41,029.80. An initial deposit of \$6,645,090.20 was made to the construction fund. Total bond issue costs were \$58,880.

Perry County School District Finance Corporation issued Qualified School Construction Bonds, taxable series dated December 1, 2011 having a par amount of \$13,300,000. Of this amount, \$13,137,337 of the proceeds were deposited directly to the construction fund for assistance in new building facilities for an elementary school. Total bond issue costs were \$54,660. The bond was issued at a discount of \$118,503.

<u>Fiscal Year End</u>	<u>QSCB Series 2011 Escrow Payment</u>		<u>Expected Escrow Earnings</u>	<u>QSCB Series 2011 Interest</u>	
	<u>Board</u>	<u>KSFCC</u>		<u>Total</u>	<u>Tax Credit</u>
2013	378,800	174,406	6,987	665,000	(665,000)
2014	371,065	182,141	21,227	665,000	(665,000)
2015	367,943	185,263	35,829	665,000	(665,000)
2016	368,343	184,863	50,802	665,000	(665,000)
2017	369,020	184,186	66,155	665,000	(665,000)
2018	373,136	180,070	81,899	665,000	(665,000)
2019	370,799	182,407	98,043	665,000	(665,000)
2020	378,801	174,405	114,598	665,000	(665,000)
2021	378,800	174,406	131,573	665,000	(665,000)
2022	378,800	174,406	148,980	665,000	(665,000)
2023	378,800	174,406	166,829	665,000	(665,000)
2024	378,801	174,405	185,132	665,000	(665,000)
2025	378,800	174,406	203,900	665,000	(665,000)

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

Fiscal Year End	QSCB Series 2011 Escrow Payment		Expected Escrow Earnings	QSCB Series 2011 Interest	
	<u>Board</u>	<u>KSFCC</u>		<u>Total</u>	<u>Tax Credit</u>
2026	378,800	174,406	223,145	665,000	(665,000)
2027	378,800	174,406	242,880	665,000	(665,000)
2028	378,800	174,405	263,116	665,000	(665,000)
2029	378,801	174,405	283,866	665,000	(665,000)
2030	366,213	186,993	305,144	665,000	(665,000)
2031	<u>378,800</u>	<u>174,406</u>	<u>158,982</u>	<u>332,500</u>	<u>(332,500)</u>
	<u>7,132,122</u>	<u>3,378,791</u>	<u>2,789,087</u>	<u>12,302,500</u>	<u>(12,302,500)</u>
Principal payment due 12/1/2030			<u>13,300,000</u>		

\$332,500 semi-annual interest payments are due every June and December through December 1, 2030. A federal tax credit for the same amount has been granted for each bondholder resulting in a subsidy/federal on-behalf payment for the School District. The action is a result of creation of qualified school construction bonds under the American Recovery and Reinvestment Act. The Act allows deferral of principal payments for up to 17 years and the creation of an escrow account as noted above. The bonds provide federal tax credits for bondholders in lieu of interest in order to significantly reduce the issuer's cost of borrowing. The A-133 Compliance Supplement acknowledges Qualified School Construction Bonds passed through the U.S. Department of Education are not covered by the single audit requirement and are not required to be included in the Schedule of Expenditures of Federal Awards.

The Perry County School District Finance Corporation issued school building refunding revenue bonds dated June 1, 2012 in order to assist in defeasing a prior issue dated June 1, 2004. The bonds were issued at a net discount of \$33,600. A deposit of \$3,284,471 was made to the Series 2004 Escrow Account. Total bond issue costs were \$39,400. Kentucky School Facilities participation in the issue was \$931,236 of the debt principal. A portion of the June 1, 2004 remains non-refunded and debt service payments are required for fiscal years 2013 and 2014. The total savings to the district as a result of the refunding is \$294,447.50.

Debt issue costs are recognized as expenditures when incurred in governmental funds but are deferred and amortized over the term of the debt issue for the government-wide and proprietary fund type financial statements.

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>Board</u>	<u>KSFCC</u>	<u>Board</u>	<u>KSFCC</u>	
2012 - 13	1,426,470	935,261	313,311	259,913	2,934,955
2013 - 14	715,939	616,206	285,151	250,852	1,868,148
2014 - 15	741,490	623,115	260,567	236,136	1,861,308
2015 - 16	692,501	625,036	239,387	222,197	1,779,121
2016 - 17	695,264	639,774	219,987	207,541	1,762,566
2017 - 18	720,209	659,831	199,267	191,649	1,770,956
2018 - 19	746,547	620,994	175,211	174,947	1,717,699
2019 - 20	662,471	467,529	149,772	160,989	1,440,761
2020 - 21	410,548	479,452	127,372	149,120	1,166,492
2021 - 22	418,101	491,899	116,253	136,904	1,163,157
2022 - 23	434,857	505,143	104,840	123,977	1,168,817
2023 - 24	450,365	519,635	92,378	109,857	1,172,235
2024 - 25	279,065	435,935	77,358	94,642	887,000
2025 - 26	286,992	463,008	66,107	80,393	896,500
2026 - 27	303,047	431,953	54,070	65,265	854,335
2027 - 28	217,279	327,721	44,203	53,232	642,435
2028 - 29	227,126	337,874	35,285	43,400	643,685
2029 - 30	236,310	348,690	25,687	32,926	643,613
2030 - 31	249,879	360,121	15,645	21,768	647,413
2031 - 32	155,343	309,657	5,049	10,064	480,113
<u>Totals</u>	<u>10,069,803</u>	<u>10,198,834</u>	<u>2,606,900</u>	<u>2,625,772</u>	<u>25,501,309</u>

Following are changes in long-term debt:

	<u>Balance</u>		<u>Balance</u>	
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>
Refunding December 1998	2,505,000	-	(1,230,000)	1,275,000
September 2001	1,640,000	-	(30,000)	1,610,000
Refunding March 2003	365,000	-	(180,000)	185,000
Revenue June 2004	3,370,000	-	(3,080,000)	290,000
KISTA Series January 2005	312,208	-	(81,330)	230,878
Revenue July 2006	2,680,000	-	(80,000)	2,600,000
KISTA Series 2009	730,292	-	(82,533)	647,759
Refunding February 2010	1,630,000	-	(225,000)	1,405,000
Revenue January 2011	1,935,000	-	(15,000)	1,920,000
Rev.2nd Series December 2011	-	6,745,000	-	6,745,000
QSCB Bonds December 2011	-	13,300,000	-	13,300,000
Refunding Revenue June 2012	-	3,360,000	-	3,360,000
<u>Total</u>	<u>15,167,500</u>	<u>23,405,000</u>	<u>(5,003,863)</u>	<u>33,568,637</u>

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

RESTATED

June 30, 2012

NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2012</u>
<u>Governmental Activities</u>				
Land	625,533	4,350,000	-	4,975,533
Land improvements	3,320,282	-	-	3,320,282
Buildings and improvements	43,055,682	1,682,647	-	44,738,329
Technology equipment	4,114,819	295,117	131,006	4,278,930
Vehicles	5,608,160	-	-	5,608,160
General equipment	2,335,128	-	-	2,335,128
Construction in progress	-	6,090,219	-	6,090,219
<u>Totals at historical cost</u>	<u>59,059,604</u>	<u>12,417,983</u>	<u>131,006</u>	<u>71,346,581</u>
Less: accumulated depreciation				
Land and improvements	2,788,350	161,650	-	2,950,000
Buildings and improvements	15,981,534	854,451	-	16,835,985
Technology equipment	2,923,050	419,626	131,006	3,211,670
Vehicles	4,091,216	282,398	-	4,373,614
General equipment	2,257,214	17,351	-	2,274,565
<u>Total accumulated depreciation</u>	<u>28,041,364</u>	<u>1,735,476</u>	<u>131,006</u>	<u>29,645,834</u>
<u>Governmental Activities</u>				
<u>Capital Assets - Net</u>	<u>31,018,240</u>	<u>10,682,507</u>	<u>-</u>	<u>41,700,747</u>
	Balance			Balance
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<u>Business-Type Activities</u>				
Building and Improvements	14,000	-	-	14,000
Technology	40,774	-	-	40,774
Food service and equipment	978,188	-	3,200	974,988
<u>Totals at historical cost</u>	<u>1,032,962</u>	<u>-</u>	<u>3,200</u>	<u>1,029,762</u>
Less: accumulated depreciation				
Building and improvements	140	1,040	-	1,180
Technology	11,949	6,338	-	18,287
Food service and equipment	840,304	24,197	3,200	861,301
<u>Total accumulated depreciation</u>	<u>852,393</u>	<u>31,575</u>	<u>3,200</u>	<u>880,768</u>
<u>Business-Type Activities</u>				
<u>Capital Assets - Net</u>	<u>180,569</u>	<u>(31,575)</u>	<u>-</u>	<u>148,994</u>

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental functions as follows:

Instruction	1,316,298
Student support services	297
Instructional staff support	18,992
District administration support	777
School administration support	748
Plant operation and management	75,697
Student transportation	<u>320,226</u>
<u>Total</u>	<u>1,733,035</u>

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2012, as follows:

Year ending June 30:

2013	53,357
2014	53,497
2015	53,497
2016	15,028
2017	<u>184</u>

Total Minimum Rentals 175,563

NOTE G – RETIREMENT PLANS

Kentucky Teachers Retirement System:

Pension Plan

Plan Description – The Perry County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012**NOTE G – RETIREMENT PLANS (continued)**

be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.355% of their salaries to KTRS and 10.855% if hired on or after July 1, 2008. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 13.605% for members hired before July 1, 2008 and 14.105% for those hired after that date.

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical insurance benefits is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding Policy – In order to fund the post-retirement healthcare benefit, two and one-half percent (2.5%) of the gross annual payroll of members before July 1, 2008 is contributed. One percent (1%) is paid by member contributions and .75% from state appropriation and .50% from the employer. Members after July 1, 2008 contribute an additional .50% to the Medical Insurance fund. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Perry County Public School District's total payroll for the year was \$25,350,554. The payroll for employees covered under KTRS was \$19,243,782. For the year ended June 30, 2012, the Commonwealth contributed \$2,127,696 to KTRS for the benefit of its participating employees. The School District's contributions to KTRS for the year ending June 30, 2011 were \$420,602 which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE G – RETIREMENT PLANS (continued)

withholding of 6.00% and a district contribution of 18.96% of the employee's total compensation subject to contributions. Total payroll for employee's covered under CERS was \$5,693,955.

The contribution requirement for CERS for the year ended June 30, 2012 was \$1,243,342, which consisted of \$977,512 from the District and \$265,830 from the employees. The District has no contribution requirement to KTRS.

Following is a summary of contributions paid by the District on-behalf of the employees for the past three years:

Year Ended <u>June 30,</u>	<u>Teacher's Retirement</u>		<u>County Retirement</u>
	<u>District</u>	<u>State</u>	
2012	420,602	2,127,696	977,512
2011	363,758	2,153,445	968,760
2010	337,853	2,148,606	940,125

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to-date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS <u>as of June 30, 2011</u> (in millions of dollars)	CERS <u>as of June 30, 2011</u> (in millions of dollars)
Actuarial accrued liabilities	25,968.7	11,777.1
Actuarial value of assets	<u>14,908.1</u>	<u>7,409.2</u>
Unfunded (overfunded) actuarial accrued liabilities	<u><u>11,060.6</u></u>	<u><u>4,367.9</u></u>

Historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2011 comprehensive annual financial reports.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE G – RETIREMENT PLANS (continued)

As the Board is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets.

NOTE H – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

NOTE J – LITIGATION

The District is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate a material effect on the combined financial statements as a result of threatened, pending or ongoing litigation.

NOTE K – RISK MANAGEMENT

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – DEFICIT OPERATING/FUND BALANCES

The following funds had deficit balances at June 30, 2012:

NONE

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE L – DEFICIT OPERATING/FUND BALANCES (continued)

The following funds had expenditures in excess of revenues at June 30, 2012:

Day Care Operations	10,514
Perry County Central High School Activity Fund	25,086
Buckhorn School Activity Fund	4,429
AB Combs Elementary Activity Fund	1,043
Big Creek Elementary Activity Fund	6,349
Dennis C Wooton Activity Fund	1,362
Robinson Elementary Activity Fund	6,316
RW Combs Elementary Activity Fund	8,347
Willard Elementary Activity Fund	6,078

NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school District at risk for a substantial loss (contingency).

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	KETS	73,802
General Fund	Special Revenue	Community Ed	5,000
General Fund	Special Revenue	Textbooks	7,432
Special Revenue	General Fund	MOA	1,401
Special Revenue	General Fund	Teacher Quality	7,889
Special Revenue	School Food Service	Food Service Expense	47,112
General Fund	Debt Service	Debt retirement	199,469
Capital Outlay	Debt Service	Debt retirement	208,507
FSPK Fund	Debt Service	Debt retirement	<u>1,324,800</u>
		Total	<u>1,875,412</u>

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)RESTATEDJune 30, 2012NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 were \$-0-.

NOTE P – ANNUAL FINANCIAL REPORT DIFFERENCES

The following is a reconciliation of the June 30, 2012, fund balances/retained earnings originally reported by the Board to the Kentucky Department of Education with that shown in the accompanying fund financial statements:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Enterprise Funds</u>
Fund Balance/Retained Earnings as reported to the Department of Education	2,762,971	-	2,069,177	245,247
Adjustment to Fund Balance/Retained Earnings				
(1) To record adjustments to accounts/grants receivable	52,919	490,009	-	87,717
(2) To record adjustments to accounts payable	(58,699)	7,108	-	(176)
(3) To record adjustments to deferred revenue	-	(430,419)	-	-
(4) To adjust inventory	-	-	-	7,113
(5) To reclassify cash	66,698	(66,698)		
(6) To record cash equivalent Construction Fund	-	-	9,350,798	-
Fund Balance/Retained Earnings per fund financial statements at June 30, 2012	<u>2,823,889</u>	<u>-</u>	<u>11,419,975</u>	<u>339,901</u>

NOTE Q – ON-BEHALF PAYMENTS

The following payments made by the state on behalf of employees of the District and for the benefit of the District are recognized in the government-wide financial statements as additional revenue and expenditures for the year ended June 30, 2012:

Kentucky Teacher's Retirement System	2,127,397
Health Insurance	4,394,205
Life Insurance	10,848
Administrative Fees	50,630
Health Reimbursement Account	254,969
Technology	84,210
Less: Federal Reimbursement	<u>(475,575)</u>
Total	<u>6,446,684</u>

PERRY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

RESTATED

June 30, 2012

NOTE Q – ON-BEHALF PAYMENTS (continued)

Payments are allocated among the following funds:

General	6,281,047
Food Service	<u>165,637</u>
 <u>Total</u>	 <u><u>6,446,684</u></u>

NOTE R – FUND BALANCE REPORTING

The District implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based on primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Classifications will include *nonspendable*, examples being prepaid items and inventory, and the following spendable fund balances - *restricted* – fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose. The standard affects fund balance reporting only and not affect government-wide or proprietary fund financial statements.

The following schedule reflects governmental fund balances at June 30, 2012:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
Fund balances				
Restricted for SFCC Escrow	-	-	807,955	807,955
Restricted for future construction	-	9,093,016	-	9,093,016
Restricted for sick leave	127,089	-	-	127,089
Assigned - purchase obligations	11,599	-	-	11,599
Unassigned fund balance	<u>2,685,201</u>	<u>-</u>	<u>1,519,004</u>	<u>4,204,205</u>
 <u>Total</u>	 <u><u>2,823,889</u></u>	 <u><u>9,093,016</u></u>	 <u><u>2,326,959</u></u>	 <u><u>14,243,864</u></u>

The District's budget by State law must have a minimum 2% contingency. However, a separate contingency reserve fund has not been established. The District's Statement of Net Assets reflects a reserve for fixed assets and school food service inventory.

PERRY COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)RESTATEDJune 30, 2012NOTE S – COMMITMENTS

Construction continues on the \$20,211,420 Elementary School Project. Also authorized July 2012 is construction of the \$7,266,181 Perry County Elementary Athletic Complex.

NOTE T – SUBSEQUENT EVENTS

Prior to the date of the financial statement report, the District received notification of the resignation of its Superintendent effective November 1, 2012. The Board named an interim superintendent for six-months and an additional two month extension if a permanent superintendent has not been hired during the allotted time period.

NOTE U – RESTATEMENT

Subsequent to issuance of Perry County School District's financial statements and report dated November 2, 2012, we became aware construction fund financial statements excluded unexpended bond proceeds received and held in short-term commercial paper and the related interest earnings through June 30, 2012. The District originally reported the unexpended balance as a construction commitment in Fund 8, Investments in Governmental Assets. The restated financial statements reflect the entire amount of the bond proceeds in the Construction Fund financial statements. However, the bond issue proceed was reported in the District's government-wide financial statements and disclosed in the notes to the financial statements when originally reported.

PERRY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

For the Year Ended June 30, 2012

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
From local sources:				
Taxes	6,922,542	7,077,542	8,000,177	922,635
Earnings on investments	119,084	125,000	177,113	52,113
Other local revenue	7,100	7,100	35,707	28,607
Intergovernmental - state	17,266,621	17,398,633	23,688,546	6,289,913
Intergovernmental - indirect federal	25,000	25,000	99,192	74,192
<u>Total revenues</u>	<u>24,340,347</u>	<u>24,633,275</u>	<u>32,000,735</u>	<u>7,367,460</u>
Expenditures:				
Instructional	15,135,635	15,179,415	18,906,541	(3,727,126)
Student support services	1,386,926	1,337,253	1,672,681	(335,428)
Staff support services	594,730	533,837	703,015	(169,178)
District administration	626,136	643,819	742,593	(98,774)
School administration	1,634,274	1,648,645	2,121,964	(473,319)
Business support	746,418	751,165	953,694	(202,529)
Plant operations and management	3,456,203	3,461,312	3,721,167	(259,855)
Student transportation	2,106,707	2,108,444	2,552,750	(444,306)
Food service operations	600	600	-	600
Community service activities	3,396	4,871	23,375	(18,504)
Contingencies	1,045,380	946,909	-	946,909
<u>Total expenditures</u>	<u>26,736,405</u>	<u>26,616,270</u>	<u>31,397,780</u>	<u>(4,781,510)</u>
Excess (deficit) of revenues over expenditures	<u>(2,396,058)</u>	<u>(1,982,995)</u>	<u>602,955</u>	<u>2,585,950</u>
Other financing sources (uses):				
Operating transfers in	11,289	9,078	9,290	212
Operating transfers out	(102,658)	(150,908)	(285,703)	(134,795)
Gains/losses on assets	15,000	15,000	9,277	(5,723)
<u>Total other financing sources (uses)</u>	<u>(76,369)</u>	<u>(126,830)</u>	<u>(267,136)</u>	<u>(140,306)</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	<u>(2,472,427)</u>	<u>(2,109,825)</u>	<u>335,819</u>	<u>2,445,644</u>
Fund balance - July 1, 2011	<u>2,472,427</u>	<u>2,109,825</u>	<u>2,360,981</u>	<u>251,156</u>
Fund balance - June 30, 2012	<u>-</u>	<u>-</u>	<u>2,696,800</u>	<u>2,696,800</u>

- Actual results include state on-behalf transactions totalling \$6,281,047
- Ending fund balance represents unassigned fund balance at June 30, 2012 without regard to the District's restriction on sick leave in the amount of \$127,089.
- Operating transfers out, actual, include KISTA debt service payments in the amount of \$199,469.

See notes to financial statements and independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2012

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
From local sources	7,000	10,004	86,946	76,942
Intergovernmental - state	2,129,463	1,796,198	1,894,770	98,572
Intergovernmental - direct federal	89,141	89,141	151,391	62,250
Intergovernmental - indirect federal	4,244,398	4,696,222	5,796,489	1,100,267
 <u>Total revenues</u>	 <u>6,470,002</u>	 <u>6,591,565</u>	 <u>7,929,596</u>	 <u>1,338,031</u>
 Expenditures:				
Instructional	4,796,654	4,562,072	5,908,800	(1,346,728)
Student support services	33,779	32,373	40,996	(8,623)
Staff support services	763,574	1,287,148	1,033,300	253,848
District administration support services	-	-	2,816	(2,816)
Business support services	17,573	13,951	16,796	(2,845)
Plant operations and maintenance	22,617	21,232	141,732	(120,500)
Student transportation	234,986	124,828	175,018	(50,190)
Food service operation	140,885	104,239	95,281	8,958
Community service activities	551,303	532,834	544,689	(11,855)
 <u>Total expenditures</u>	 <u>6,561,371</u>	 <u>6,678,677</u>	 <u>7,959,428</u>	 <u>(1,280,751)</u>
 Excess (deficit) of revenues over expenditures	 <u>(91,369)</u>	 <u>(87,112)</u>	 <u>(29,832)</u>	 <u>(57,280)</u>
 Other financing sources (uses):				
Operating transfers in	102,658	96,402	86,234	10,168
Operating transfers out	(11,289)	(9,290)	(56,402)	47,112
 <u>Total other financing sources (uses)</u>	 <u>91,369</u>	 <u>87,112</u>	 <u>29,832</u>	 <u>57,280</u>
 Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	 -	 -	 -	 -
 Fund balance - July 1, 2011	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund balance - June 30, 2012	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>

See notes to financial statements and independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTCOMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDSAt June 30, 2012

	<u>SEEK Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
Asset and resources:				
Cash and cash equivalents	<u>161,065</u>	<u>2,165,894</u>	<u>-</u>	<u>2,326,959</u>
Total assets and resources	<u><u>161,065</u></u>	<u><u>2,165,894</u></u>	<u><u>-</u></u>	<u><u>2,326,959</u></u>
Fund balances				
Restricted for SFCC Escrow	-	807,955	-	807,955
Unassigned fund balance	<u>161,065</u>	<u>1,357,939</u>	<u>-</u>	<u>1,519,004</u>
Total fund balances	<u><u>161,065</u></u>	<u><u>2,165,894</u></u>	<u><u>-</u></u>	<u><u>2,326,959</u></u>
Total liabilities and fund balances	<u><u>161,065</u></u>	<u><u>2,165,894</u></u>	<u><u>-</u></u>	<u><u>2,326,959</u></u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	SEEK Capital Outlay	Building	Debt Service	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
Revenues:				
From local sources:				
General real property tax	-	1,550,088	-	1,550,088
Intergovernmental - State	369,572	1,132,651	1,121,217	2,623,440
	<u>369,572</u>	<u>1,132,651</u>	<u>1,121,217</u>	<u>2,623,440</u>
<u>Total revenues</u>	<u>369,572</u>	<u>2,682,739</u>	<u>1,121,217</u>	<u>4,173,528</u>
Expenditures:				
Debt service:				
Principal	-	-	5,003,863	5,003,863
Interest	-	-	930,130	930,130
	<u>-</u>	<u>-</u>	<u>5,933,993</u>	<u>5,933,993</u>
<u>Total expenditures</u>	<u>-</u>	<u>-</u>	<u>5,933,993</u>	<u>5,933,993</u>
Excess (deficit) of revenues over expenditures	<u>369,572</u>	<u>2,682,739</u>	<u>(4,812,776)</u>	<u>(1,760,465)</u>
Other financing sources (uses):				
Bond proceeds	-	-	3,080,000	3,080,000
Operating transfers in	-	-	1,732,776	1,732,776
Operating transfers out	(208,507)	(1,324,800)	-	(1,533,307)
	<u>(208,507)</u>	<u>(1,324,800)</u>	<u>-</u>	<u>(1,533,307)</u>
<u>Total other financing sources (uses)</u>	<u>(208,507)</u>	<u>(1,324,800)</u>	<u>4,812,776</u>	<u>3,279,469</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	161,065	1,357,939	-	1,519,004
Fund balance, July 1, 2011	<u>-</u>	<u>807,955</u>	<u>-</u>	<u>807,955</u>
Fund balance, June 30, 2012	<u>161,065</u>	<u>2,165,894</u>	<u>-</u>	<u>2,326,959</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

PERRY COUNTY HIGH SCHOOL ACTIVITY FUND

For the Year Ended June 30, 2012

Fund Accounts	Revenues	Expenditures	Excess (Deficit) of Revenues over Expenditures	Fund Balance July 1, 2011	Fund Balance June 30, 2012
General	27,335	30,192	(2,857)	10,226	7,369
Locker	2,965	2,965	-	-	-
Lost textbooks	686	1,552	(866)	1,479	613
Parking tags	769	769	-	-	-
Pepsi lounge	10,737	10,660	77	1,127	1,204
Pepsi lobby	27,567	27,567	-	-	-
Breaktime vending	5,115	5,115	-	-	-
Donated	-	-	-	5,010	5,010
Breaktime vend lounge	2,550	2,358	192	1,880	2,072
Pencil machine	17	17	-	-	-
Field house pop machine	1,106	1,106	-	-	-
Janitorial	1,492	1,509	(17)	17	-
Board travel	20,000	18,500	1,500	2,000	3,500
F-ball playoffs	3,897	3,897	-	-	-
WYMT concessions	-	-	-	3,221	3,221
Concessions	17,450	17,390	60	-	60
Gate receipts	50,545	49,440	1,105	1,137	2,242
Football	67,935	57,145	10,790	17,526	28,316
Track	1,585	1,749	(164)	374	210
Boys basketball	21,828	25,847	(4,019)	5,472	1,453
Girls basketball	55,602	57,953	(2,351)	2,351	-
Wrestling	14,288	16,382	(2,094)	4,323	2,229
Volleyball	20,356	19,735	621	854	1,475
M/S Volley	3,038	3,539	(501)	575	74
Golf	1,100	1,059	41	-	41
Cross country	3,503	2,365	1,138	-	1,138
Baseball	21,550	21,550	-	-	-
Softball	21,011	18,304	2,707	-	2,707
Boys varsity cheerleaders	35,603	35,613	(10)	2,572	2,562
Girls varsity cheerleaders	-	2,232	(2,232)	2,232	-
Tennis	600	155	445	973	1,418
Middle school football	7,463	3,530	3,933	-	3,933
Soccer	14,024	14,252	(228)	2,108	1,880
Sball/Bball	2,241	3,357	(1,116)	1,116	-
Academics	3,000	3,007	(7)	165	158
Band	2,353	7,521	(5,168)	5,320	152
BETA	1,225	1,390	(165)	165	-
Business/FBLA	2,226	2,011	215	59	274
Chorus	4,008	5,400	(1,392)	1,441	49
Commodore	300	300	-	543	543
Drama	4,473	4,002	471	644	1,115
FCCLA	1,915	1,851	64	109	173
FFA	13,096	14,503	(1,407)	1,870	463
Guidance	9,518	9,920	(402)	402	-
JROTC	7,404	8,756	(1,352)	5,190	3,838
Juniors	10,237	9,072	1,165	2,124	3,289
Library	362	199	163	636	799
National art	1,660	1,307	353	-	353
Newspaper	-	308	(308)	478	170
Yearbook	7,241	17,830	(10,589)	16,541	5,952
Seniors	101,914	112,673	(10,759)	12,571	1,812
Overview tech	251	402	(151)	343	192
YSC	1,001	700	301	3,013	3,314
State tournament	17,256	19,528	(2,272)	2,828	556
<u>Sub-totals</u>	<u>653,398</u>	<u>678,484</u>	<u>(25,086)</u>	<u>121,015</u>	<u>95,929</u>
Less: Interfund transfers	<u>80,570</u>	<u>80,570</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Totals</u>	<u>572,828</u>	<u>597,914</u>	<u>(25,086)</u>	<u>121,015</u>	<u>95,929</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUCKHORN SCHOOL ACTIVITY FUND

For the Year Ended June 30, 2012

Fund Accounts	Revenues	Expenditures	Excess (Deficit) of	Fund Balance	Fund Balance
			Revenues over Expenditures	June 30, 2011	June 30, 2012
General fund	14,974	17,425	(2,451)	6,361	3,910
Vending machines	2,523	4,000	(1,477)	4,567	3,090
Employee workroom	4,140	479	3,661	8	3,669
School supplies	109	27	82	-	82
Textbook	-	92	(92)	5,363	5,271
Graduation	12	50	(38)	38	-
Elem academics	-	-	-	201	201
High school academics	2,013	3,032	(1,019)	1,135	116
Carnival funds	-	-	-	546	546
FBLA club	9,213	7,207	2,006	1,937	3,943
STLP	-	477	(477)	506	29
Baseball	14,313	14,313	-	-	-
Cross country/track	213	216	(3)	242	239
Elem 3th & 4th basketball	-	197	(197)	833	636
Middle school baseball	-	220	(220)	374	154
Elem boys basketball	4,597	4,681	(84)	7,548	7,464
Elem boys cheerleader	450	390	60	-	60
Elem girls basketball	2,553	2,489	64	413	477
Elem girls cheerleader	146	146	-	-	-
H.S. boys basketball	61,862	61,099	763	-	763
H.S. girls basketball	10,864	10,755	109	1,897	2,006
H.S. cheerleaders	11,417	8,620	2,797	111	2,908
Volleyball	1,598	2,529	(931)	1,171	240
Soccer	100	100	-	-	-
Softball	6,096	7,504	(1,408)	1,955	547
JROTC	1,376	3,680	(2,304)	4,054	1,750
Teens for Christ	-	-	-	117	117
Spanish	-	-	-	2	2
Social studies	-	-	-	18	18
Library	4,002	3,464	538	1,101	1,639
Library Improvement	-	1	(1)	1	-
Industrial arts	-	10	(10)	10	-
Science/health/P.E.	-	-	-	38	38
Yearbook	1,213	2,778	(1,565)	3,119	1,554
Reimbursement	1,662	1,662	-	-	-
Family resource center	16,710	13,004	3,706	1,711	5,417
FRYSC Children Inc.	3,250	2,055	1,195	768	1,963
54th District Tournament	-	-	-	-	-
8th Grade trip	5,056	4,751	305	-	305
11th Grade - Prom	2,513	2,513	-	-	-
12th Grade	-	-	-	45	45
Senior trip 2012	39,992	47,214	(7,222)	7,222	-
Guidance - Ky Ahed	125	125	-	-	-
Guidance - records	681	897	(216)	1,351	1,135
<u>Sub-totals</u>	<u>223,773</u>	<u>228,202</u>	<u>(4,429)</u>	<u>54,763</u>	<u>50,334</u>
Less: Interfund transfers	<u>6,428</u>	<u>6,428</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Totals</u>	<u>217,345</u>	<u>221,774</u>	<u>(4,429)</u>	<u>54,763</u>	<u>50,334</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2012

	A.B. Combs Elementary	Big Creek Elementary	Chavies Elementary	Dennis C. Wooton Elementary
<u>REVENUES:</u>				
Activity funds	129,104	41,078	130,492	140,622
<u>EXPENDITURES:</u>				
Activity funds	<u>130,147</u>	<u>47,427</u>	<u>124,682</u>	<u>141,984</u>
Excess or (deficiency) of revenues over <u>expenditures</u>	(1,043)	(6,349)	5,810	(1,362)
Fund Balance, July 1, 2011	<u>9,044</u>	<u>32,383</u>	<u>54,872</u>	<u>82,603</u>
Fund Balance, June 30, 2012	<u><u>8,001</u></u>	<u><u>26,034</u></u>	<u><u>60,682</u></u>	<u><u>81,241</u></u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCEOTHER SCHOOL ACTIVITY FUNDSFor the Year Ended June 30, 2012

<u>Leatherwood Elementary</u>	<u>Robinson Elementary</u>	<u>R.W. Combs Elementary</u>	<u>Viper Elementary</u>	<u>Willard Elementary</u>	Total (Memorandum Only)
106,287	88,353	111,030	116,567	87,605	951,138
<u>95,152</u>	<u>94,669</u>	<u>119,377</u>	<u>112,021</u>	<u>93,683</u>	<u>959,142</u>
11,135	(6,316)	(8,347)	4,546	(6,078)	(8,004)
<u>11,623</u>	<u>30,998</u>	<u>55,262</u>	<u>28,923</u>	<u>14,677</u>	<u>320,385</u>
<u><u>22,758</u></u>	<u><u>24,682</u></u>	<u><u>46,915</u></u>	<u><u>33,469</u></u>	<u><u>8,599</u></u>	<u><u>312,381</u></u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed through State Department of Education:				
- <i>Child Nutrition Cluster</i> -				
School Breakfast Program	10.553	7760005 11	N/A	115,325
	10.553	7760005 12	N/A	346,104
				<u>461,429</u>
School Lunch Program	10.555	7750002 11	N/A	309,521
	10.555	7750002 12	N/A	917,544
				<u>1,227,065</u>
Summer Food Service Program for Children	10.559	7690024 11	N/A	3,675
	10.559	7690024 12	N/A	9,428
	10.559	7740023 11	N/A	90,890
	10.559	7740023 12	N/A	35,438
				<u>139,431</u>
Passed through State Department of Agriculture:				
National School Lunch Program	10.555	097-0100	N/A	128,875
				<u>128,875</u>
<u>Total Child Nutrition Cluster</u>				<u>1,956,800</u>
Passed through State Department of Education:				
Fruit and Vegetable Program	10.582	7720012 11	N/A	65,160
	10.582	7720012 12	N/A	75,716
				<u>140,876</u>
Passed through Perry County Fiscal Court				
Schools and Roads Grant to States	10.665	N/A	N/A	2,052
				<u>2,052</u>
<u>Total U.S. Department of Agriculture</u>				<u>2,099,728</u>
<u>U. S. Department of Justice</u>				
Passed through The Center for Rural Development				
U.N.I.T.E. (Unlawful Narcotics Investigation, Treatment and Education)	16.580	3001	54300	11,973
U.N.I.T.E. (Unlawful Narcotics Investigation, Treatment and Education) Peer Mentoring	16.580	3008M	918	898
				<u>898</u>
<u>Total U.S. Department of Justice</u>				<u>12,871</u>
<u>U. S. Department of Education</u>				
Passed through State Department of Education:				
Title I	84.010	3102	2,487,292	1,359,684
	84.010	3101	2,511,892	838,946
Title I ARRA	84.389A	3919	2,256,258	88,457
				<u>2,287,087</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<i>- Special Education Cluster -</i>				
IDEA - B Basic	84.027	3372	992,069	948,010
	84.027	3371	997,523	133,988
IDEA - B Preschool	84.173	3432	75,575	54,594
	84.173	3431	75,578	58,992
IDEA-B Preschool ARRA	84.392	4239	66,416	53,150
				<u>1,248,734</u>
Vocational Education - Basic	84.048	3482	52,180	48,928
	84.048	3481	61,803	4,533
				<u>53,461</u>
Education Technology Title II D	84.318X	4251	8,374	2,848
Education Technology Title II D	84.318X	4250	23,478	3,161
				<u>6,009</u>
Enhancing Education thru Tech ARRA C	84.386A	4850	69,031	515
Enhancing Education thru Tech ARRA C	84.386A	4860	67,824	31,504
				<u>32,019</u>
Rural and Low Income School Program	84.358	3500	108,989	23,310
Rural and Low Income School Program	84.358	3501	114,509	111,805
Rural and Low Income School Program	84.358	3502	89,559	11,848
				<u>146,963</u>
Teacher Quality Grant	84.367	4011	449,342	46,607
	84.367	4012	383,504	377,868
				<u>424,475</u>
Education Jobs Fund ARRA	84.410	17L1	1,024,310	<u>1,017,250</u>
REMS Readiness and Emergency Management	84.184E	5341E	147,500	<u>104,110</u>
Passed through Kentucky Community & Technical College:				
GEAR-UP	84.334A	3792G	390,668	277,074
	84.334A	3798G	35,000	5,606
				<u>282,680</u>
<u>Total Department of Education</u>				<u>5,602,788</u>
<u>Appalachian Regional Commission</u>				
Direct				
Appalachian Higher Education Network (KY AHED)	23.011	6882	10,000	<u>6,974</u>
<u>US Department of Defense</u>				
Direct				
JROTC	12.000	5042	89,141	<u>151,391</u>
<u>Total Federal Awards Expended</u>				<u>7,873,752</u>

See independent auditor's report.

PERRY COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2012**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Perry County School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Noncash assistance is reported in the schedule at the fair value of the food donations disbursed.

Chris Gooch

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

State Committee for School District Audits
Members of Perry County Board of Education
Hazard, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County School District as of and for the year ended June 30, 2012 which collectively comprise the Perry County School District's basic financial statements and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Completion and Electronic Submission.

Internal Control Over Financial Reporting

Management of Perry County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Perry County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Perry County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Perry County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that

there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses - 2012-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Perry County School District, in a separate letter dated November 2, 2012. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

Perry County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Perry County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audits, the members of the Board of Education of the Perry County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 2, 2012, except for paragraphs three, four, and seven which is as of February 11, 2013

Chris Gooch

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

State Committee for School District Audits
Members of Perry County Board of Education
Hazard, Kentucky

Compliance

We have audited Perry County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Perry County School District's major federal programs for the year ended June 30, 2012. Perry County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Perry County School District's management. Our responsibility is to express an opinion on Perry County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Perry County School District's compliance with those requirements.

In our opinion, Perry County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Perry County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Perry County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perry County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audits, the members of the Board of Education of the Perry County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 2, 2012

PERRY COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS –
None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS –
None

PERRY COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

- SUMMARY OF AUDIT RESULTS –

1. We have issued an unqualified opinion on the financial statements.
2. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
7. Perry County School District had the following major programs:

U. S. Department of Education

- Passed through State Department of Education -
 Title I
 CFDA number 84.010
 Title I Grants to Local Agencies – Recovery Act
 CFDA number 84.389A
- Special Education Cluster -
 IDEA-B Basic
 CFDA numbers 84.027 and 84.392
 IDEA-B Preschool
 CFDA number 84.173
- Education Jobs Fund -
 CFDA number 84.410
- Teacher Quality Grant -
 CFDA number 84.367

U.S. Department of Agriculture

- Passed through State Departments of Education and Agriculture -
 - Child Nutrition Cluster -
 School Lunch and Breakfast Program, Summer Food Service
 Program for Children
 CFDA numbers 10.553, 10.555 & 10.559

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

PERRY COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)RESTATEDFor the Year Ended June 30, 2012

- FINDING RELATED TO THE FINANCIAL STATEMENTS –

2012-1:

Condition:

A material fund financial statement adjustment reclassifying and recording total bond proceeds was entered after release of the financial statement report.

Criteria:

District financial personnel should consider the fund financial statement implications for recording debt service transactions.

Cause:

The existing financial reporting procedures did not have proper steps in place to monitor significant and material transactions that warranted consideration for inclusion in the fund financial statements.

Effect:

The fund financial statements did not initially capture the total bond proceeds issued in the current year.

Recommendation:

The District should document procedures considering the fund financial statement impact of debt service reporting and record transactions when deemed necessary.

District Response:

The District will develop and document procedures considering the fund financial statement impact of debt service reporting and record transactions when deemed necessary.

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS –

None

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Perry County Board of Education
and Management
Hazard, Kentucky

In planning and performing our audit of the financial statements of Perry County School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. A separate report dated November 2, 2012, contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 2, 2012 on the financial statements of the Perry County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

A handwritten signature in blue ink, appearing to read "Chris Gooch", with a stylized, flowing script.

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 2, 2012

PERRY COUNTY SCHOOL DISTRICTMANAGEMENT LETTER COMMENTSFor the Year Ended June 30, 2012**Prior Year Comments**

1. District personnel should make timely deposits or provide documentation stating the reason for not depositing cash receipts frequently. We noted Buckhorn School daily receipts do not agree to periodic deposits made during the month. The clerk explanation stated that coin is deposited only at the end of each month. Management has stated this practice has been discontinued.
2. The District should establish a consistent school-wide policy for paying and reimbursing tips at restaurants. Management has emphasized a consistent school-wide practice for transactions of this nature. A policy has been implemented to address consistency.
3. Management should provide documentary evidence that fixed asset accounting system subsidiary accounts are periodically compared and reconciled to actual fixed inventory. Fixed asset inventory is taken periodically throughout the year rather than at the end of the fiscal year.
4. We noted in our audit of payroll deduction transactions that authorization for deductions was not on file or for an incorrect amount for ten employees. We noted no W-4 or I-9 form on file for two employees. Management should provide evidence that a periodic review of employee authorization files is internally performed. In our current year audit we noted some authorizations for KEA deductions were not on file. We noted that authorization forms for Humana insurance did not agree to deductions due to increases made after forms were signed. W-4 forms are now included in new hire packets. All other deductions may be changed only upon employee authorization. Management should retain the authorization CD from its insurance agent for internal and external verification purposes.
5. Management should ensure supporting documentation accompanies cash receipt and disbursement transactions at the activity fund level. The following were noted for sample transactions tested during our current year audit: No fundraising report for one sample at Viper Elementary School. No state prescribed forms implemented for inventory sales from school store, pencils, concession at Willard Elementary School. Accounting for activity fund procedures training regarding fundraising was conducted during the year.
6. The District acquired a large number of I-Pads and other small equipment during the fiscal year. Management should assess the adequacy of its control procedures for monitoring the completeness of its asset inventory listing regarding small technology equipment. All District personnel have been advised of proper control procedures for all technology items.

PERRY COUNTY SCHOOL DISTRICTMANAGEMENT LETTER COMMENTS (Continued)For the Year Ended June 30, 2012**Prior Year Comments (continued)**

7. We noted a \$1,534.02 delinquency charge paid on the School District credit card account. Management should initiate procedures to prevent fees and penalties of this nature from occurring. This one time occurrence was addressed and District personnel were advised to acknowledge the importance of remitting payments in a timely manner.
8. We noted a cellular phone expense charge at AB Combs Elementary Activity Fund and an individual maintenance fund account setup through Chavies Elementary Activity Fund. District management should determine if transactions of this nature are authorized "red book" activity account expenditures. Each area was addressed and District personnel emphasized allowable and unallowable activity fund expenditures through reviewing the activity fund accounting procedures manual.

Current Year Comments

1. Ticket sales reports accounted for through the District's General Fund should reflect indication of second personnel review. Management has indicated that second personnel review would be designated for future ticket sales reports.
2. When testing fundraising reports prepared by Leatherwood Activity fund personnel, we noted some fundraising reports without a sponsor signature. Management stated future fundraising reports will indicate sponsor signatures.
3. We noted some State sales tax paid when testing General Fund disbursements. Management stated an emphasis to monitor sales tax charged for future District disbursements will be addressed to appropriate personnel and reimbursement requests for charges paid will be initiated.
4. When testing childcare activity we noted some instances where children listed as attended did not indicate billing for services provided or billing could not be tracked to a specific attendance record. Management will emphasize to personnel the importance of maintaining records that can be easily agreed as to attendance and billing per child.